



**Gujarat Narmada Valley
Fertilizers & Chemicals Limited**

CIN : L24110GJ1976PLC002903

An ISO 9001, ISO 14001, ISO 45001 & ISO 50001 Certified Company

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August 16, 2022

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Co. Code: BSE - "500670"

Co. Code: NSE- "GNFC EQ"

Sub.: Transcript of Investors / Analysts meet through Conference Call.

Dear Sir,

We had vide our letter dated 09th August, 2022 intimated the Stock Exchanges about the schedule of Investors / Analysts meet through Conference Call on Wednesday, 10th August, 2022 at 3.30 PM IST through Conference Call.

We send herewith a copy of Transcript of Investors / Analysts meet through Conference Call which took place on 10th August, 2022. The said transcript along with the audio is also uploaded on the Company's website i.e. www.gnfc.in

We request you to kindly take note of the above.

Thanking you,

Yours faithfully,
For GUJARAT NARMADA VALLEY FERTILIZERS & CHEMICALS LTD

CS A C SHAH
COMPANY SECRETARY & GM (LEGAL)



“Gujarat Narmada Valley Fertilizers & Chemicals Limited Q1 FY22-23 Earnings Conference Call”

August 10, 2022



MANAGEMENT: **MR. D. V. PARIKH – EXECUTIVE DIRECTOR AND CFO**
MR. Y. N. PATEL – HEAD OF OPERATION AND MAINTENANCE
MR. A. C. SHAH – GENERAL MANAGER AND COMPANY SECRETARY
MR. J. I. DESAI – HEAD, INDUSTRIAL CHEMICAL SALES
MR. MANISH UPADHYAY – HEADS INDUSTRIAL PRODUCTS CHEMICALS
MR. MANISH BILLORE – HEAD, FERTILIZER MARKETING DEPARTMENT

MODERATOR: **MR. NITESH VAGHELA – ANURAG SERVICES LLP**



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Moderator: Ladies and Gentlemen, Good day and welcome to GNFC Conference Call to discuss the Q1 FY22-23 financial performance. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitesh Vaghela from Anurag Services LLP. Thank you and over to you Mr. Vaghela.

Nitesh Vaghela: Thank you and Good afternoon. Welcome to the first quarter earnings conference call of Gujarat Narmada Valley Fertilizers and Chemicals Limited hosted by Anurag Services LLP. From the management we have Mr. D. V. Parikh – Executive Director and CFO, Mr. Y. N. Patel – Head of Operation and Maintenance and Mr. A. C. Shah – General Manager and Company Secretary.

I would like to thank the management for giving us the opportunity to host this call. We will begin the call with opening remarks from the management post which we will have a question-and-answer session. Thank you and over to you, Sir.

A.C.Shah: Before we start briefing on the financials, I would introduce my other colleague from the Company Management side. We have Mr. J. I. Desai who is heading the Industrial Chemical Sales, we have Mr. Manish Upadhyay who heads the Industrial Products part of the industrial products chemicals and we have Mr. Manish Billore who is heading the fertilizer marketing department. I would now request to Shri. D. V. Parikh – Executive Director and Chief Financial Officer to take up for financial analysis part.

D. V. Parikh: Thank you very much for organizing this meeting and very good afternoon to all the participants who has joined this conference. First we will start with the pervasive aspects which are still covering the various periods over last year to this year. Allover, there is inflationary effect for various reasons. This inflationary effects are mainly driven by the energy crisis across the globe and these are all pervasive in nature. The geopolitical situation not only for Russia and Ukraine which is going on since last 6 months, now issues between direct conflict China and America is also cropping up because of dominance over Taiwan.

China has already taken over the de facto management of Hong Kong. Apart from that there are leadership crisis and governance issues across many countries in different continents mainly Africa, South America and in Asia as well. In Asia the recent one which has come up is that of Sri Lanka, Pakistan, North Korea and Philippines. One of the period which is there also is covering the diseases part of it which is pandemic in corresponding Q1 of last year which was severely affected because of the pandemic and at our company there was annual shutdown also coupled with that. So, figures on a YoY basis are not relatively comparable whereas on sequential quarter basis it is comparable. I will talk about in geopolitical one of the biggest factor is going to be the stance of Germany. They already cleared the stance on Node 2 but for Nord-1 there testing will be done sometime around winter and it will have far reaching consequences



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not only in Germany, but on the other parts of the world in terms of chemical supplies. So, we will have to see how it pans out when it comes to second or third quarter down the line now.

The next part is on the domestic scenario. India also has witnessed inflationary effects by and large apart from that it has seen its exchange plummeting to touching almost Rs. 80 a dollar. Reserve Bank of India has made its stance clear by increasing the rates and thereby inflation has become the order of the day although it is still contained as compared to other countries. Now all this will have cumulative effect on the industry in terms of higher interest rates and higher burden of imports apart from the government exchequer.

Coming to the operating side of the company now for operating performance in terms of production and sales. The production has been better as compared to Q4 that is sequential quarter basis in the fertilizer. However, chemical is affected because of various operating and marketing reasons and similar is case of sales. The sales of fertilizers is better whereas the sales of chemical is affected because of the subdued market in spite of all this there is highest ever Q1 being reported by the company. We have also given in our investor presentation the comparison of the last decade as to how normally the revenue and profits move around in Quarter 1.

So, if we look at even not only average, but all across Q1 of last decade this is the highest ever and if we compare between the earlier highest ever the revenue of 2,696 crores is up by around 68% as compared to Q1 of 18-19 and the PBT of 761 crores is 108% up than that of the last year which was the year of highest performance of GNFC. So, apart from that there are no major effects in terms of overhead increases, the comprehensive income is affected because of the change in investments mainly the quoted investments because of the downward prices quoted on the exchanges mainly our investment in GSFC, GACL and Gujarat gas reflect this downward trend. The total effect is around 100 crore on account of this.

Coming to the cash flow part, Cash balance more or less has remained steady in spite of the profit because most of the cash is getting locked up as of now between subsidy and inventories. On a consolidated basis, the company is consolidating only one company which is Gujarat Green Revolution and it is a profitable operation. As far as CAPEX is concerned we already touched upon the various CAPEX in the pipeline in the investor presentations and the balance sheet is having a size of close to Rs. 8,000 in terms of net worth. So, with this now I hand over the call back to the organizer. Thank you.

A.C.Shah:

I would like to supplement that we have already uploaded the financial analysis PPT of the company from company side on our website for the information of all the investors. Thanks sir. So, on the date of results apart from the results per se which are going in print media, details results which are going on exchanges are also coupled with the press release on the same day and on the next day that is yesterday we have given the investor presentation which is loaded on the website as well as sent to the exchange that may please be referred. Thank you.



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- Yash:** My question is mainly regarding what kind of trend are you seeing in TDI prices going forward and also nitric acid going forward as far as demand is concerned?
- J. I. Desai:** TDI prices largely depends on various factors as our CFO has mentioned right now particularly geopolitical situation and outcome of that. So, it is very difficult to predict actually the TDI price or the nitric acid prices going forward.
- Yash:** Would you be able to comment on when the nitric acid expansion will be complete?
- Y. N. Patel:** It is likely to be completed from January to March next year.
- Yash:** And what kind of revenue will that be adding to your top line what is your estimate?
- Y. N. Patel:** You are asking about concentrated nitric acid right?
- Yash:** Yes sir any ballpark figure is okay?
- Y. N. Patel:** 110 crore roughly.
- Yash:** 110 crores every year right?
- Y. N. Patel:** Yes.
- Nishit Shah:** Sir I would like to understand how do we see the trend in raw material now?
- D. V. Parikh:** Raw material trends like we have witnessed over last three, four months it is disproportionately high in terms of their increases. Recently there is a filler that these are going down, but given the situation which is narrated of winter coming in basically we keep fixed stock and fuel how they will move is anybody's guess as of now.
- Nishit Shah:** And did we experience any non-availability of natural gas or any raw material during the quarter?
- D. V. Parikh:** No, we have so far not witnessed the situation of not having the natural gas, but of course it is available at a price.
- Nishit Shah:** Sir, what is the pricing currently of natural gas, can you indicate that?
- D. V. Parikh:** Currently around Rs. 105 per standard cubic meter.
- Nishit Shah:** And sir so for last one month in July, August so have the prices of nitric acid and PDI trended upwards and they are stable?



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- J. I. Desai:** As far as TDI is concerned the demand traditionally remains weak during the monsoon season, but with the festival season coming up we have observed that it improves by 15th August to latest by 1st September. As far as price is concerned, it is normal actually. At this point of time the price around \$2,600 to \$2,700 is very much normal and it is in line with the average of longer period say of 10 years,
- Nishit Shah:** And sir nitric acid?
- J. I. Desai:** Nitric acid depends on ammonia prices and ammonia price is still prevailing at a higher level and so as the nitric acid prices are also prevailing at higher than the normal price.
- Nishit Shah:** And the demand for nitric acid is good for the quarter?
- J. I. Desai:** Yes, nitric acid is not really importable commodity. So, domestic demand and domestic supply are in balance and the demand persists. Demand is little bit low due to monsoon. Some of the industries like potassium nitrate or calcium nitrate; these sectors the demand remains lower, but this has a very wide end use segments being basic chemical.
- Sagar Shroff:** I have two questions one is operating EBITDA was about 28% in this quarter vis-a-vis 32% in Q4 I mean can we say this is the bottom that we have reached that is the first question and secondly I wanted your view on centers policy on methanol as an alternate fuel which they are examining the feasibility just like ethanol blending if you could offer us some comments?
- D. V. Parikh:** I will answer your first question on the EBITDA part like EBITDA on sequential quarter basis has gone down from 32% to 28% this is mainly on account of the volume loss predominantly of the chemical which has happened.
- Sagar Shroff:** No, I wanted your view on the outlook sir this is the bottom will you say 28%?
- D. V. Parikh:** It is bottom or up it is difficult to say because this chemical pricing is normally seasonal in nature. So, we normally do not comment on the outlook for in terms of what will be the price because prognosis on price of chemical is really anybody guess. It is not possible to comprehend the price of future.
- Sagar Shroff:** But is it that volumes that you have lost this quarter if you recover in the coming quarters?
- D. V. Parikh:** Currently there are no disruptions now on in the production. So, we do not foresee any production losses on the chemical side. Fertilizer side also there is no production loss. Currently for the time being we had certain outage for around 5 - 7 days and because of this we are little short on the ammonia, but that is a very transitional phase.
- Sagar Shroff:** So you do not see any issues I mean 20% should be maintained?



- D. V. Parikh:** We hope so. Is it okay if we move on to the next question it is a second one.
- Sagar Shroff:** Yes.
- D. V. Parikh:** You asked something about the policy on ethanol by Center except for the blending as of now we do not have clarity about methanol use as fuel on a full-blown basis still I leave this question on the table Y.N. Patel who is looking after the strategy part of the company.
- Y. Patel:** See as far as ethanol is concerned government has clearly spread out that there will be 20% blending by 2025, but as far as methanol nothing concrete as come out from center so far and technically speaking see if you produce petrol from either natural gas or crude oil and then there is a direct route, but if you go to methanol and again uses a fuel it is indirect route. So, as a technical person my perception is in a long run it is not going to be viable option, but that is my individual view, but so far from government nothing concrete has come out.
- Sagar Shroff:** What is the money locked in subsidiary in this quarter from the government?
- D. V. Parikh:** 702 crores.
- Sagar Shroff:** And our cash in hand is approximately 3,500 crores?
- D. V. Parikh:** 3,500 crores.
- Sagar Shroff:** And in July, August the subsidy money have you received?
- D. V. Parikh:** Yes we are receiving the subsidy now, but you will have to keep in mind the way the fertilizer industry operates even if there is significant rise in the gas prices the subsidy is given at a prescribed declared rate and those rates there is a time lag to get updated. So, even if there is a flow government has liquidity, money available they will disburse based on the notified rate. So, there will always be time lag like if you see on a sequential quarter basis the total subsidy as increased by around Rs. 220 crore from around 480 to 702 crores and another factor somewhere at the end of April the NBS subsidy was declared. Now this subsidy rates are very high. So, more you sell there is a cycle of subsidy although they say weekly disbursement will be made after the POS, DBT based PoS system has yet to come up, it does not operate the same way practically there is always a time lag.
- Yash:** My question is regarding the department of telecommunications notice, has there been any update on that regard?
- A. C. Shah:** There is no further development from the department side regarding this notice for the demand raised by the department and we are making all out efforts and persuading from different perspective to resolve this matter.



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- Yash:** My last question was regarding the nitric acid expansion so my question was how much is it going to add on the top line I meant in sales you said 110 crore, but that 110 crore I think you meant this the CAPEX size in terms of investment, but my question was regarding how much will that add in the top line in the financial year an estimate would work for me?
- Y. N. Patel:** Sir this 110 if I am correct it is 120 crore that will be adding to top line and CAPEX is 109 crore as such.
- Yash:** It will add 120 crore top line every year?
- Y. N. Patel:** Yes and this is already this is published in the presentation we have already uploaded.
- Yash:** What I saw is 110 crore is the CAPEX size, but my question was more regarding how much it is going to add in the top line so thank you for answering that and also if could give me some information in regards of what is the cash balance of the company right now?
- D. V. Parikh:** It is 3,500 crores as at June 22.
- Yash:** What is the company strategy to utilize this money are you planning to utilize this in your CAPEX front?
- D. V. Parikh:** The presentation contains various CAPEX which are already in the pipeline. If you go to the investor presentation you will find around 4,400 crore worth of various CAPEX which are lined up.
- Yash:** Are we going to see any dividend expansion because our dividend payout ratio has been pretty flat over all these years, are we going to see any Upliftment in that regard?
- D. V. Parikh:** See dividend ratio even if it is flat in absolute terms it is increasing because of the higher profits.
- Yash:** Do we expect any changes to happen in that regard in the dividend policy because what you are making in now you are making in a quarter so in that regard do you have any changes in your payout ratio is what I am asking?
- D. V. Parikh:** It all depends upon what the board decides and there is a dividend distribution policy of the company. So, it is driven and guided mainly by the policy.
- Yash:** Also regarding your formic acid that commercialized in this quarter how much will that add to the topline?
- Y. N. Patel:** It will add to around 50 crores.
- Yash:** And what is your margin on that, what margins are you expecting as of today's environment?



- Y. N. Patel:** Margin it is we cannot disclose even if I want.
- Sagar Shroff:** I have two questions sir what is the trend in price of aniline and formic acid now in July and August and secondly in the presentation you have mentioned about your 1,350 crore CAPEX relating to Brownfield project expansion of additional capacity of weak nitric acid and ammonium nitrate melt etcetera and ammonia expansion when do you expect that to go on stream these are my two questions?
- Y. Patel:** Our existing aniline capacity is around 40,000 per annum and regarding CAPEX WNA third unit we are planning to put to the capacity of 2 lakh metric tons and in case of A N Melt **(Inaudible) 25:48** we are planning to move with the capacity of 1,63,000 and CAPEX is around 950 and 182 respectively for both these projects.
- Sagar Shroff:** Yes that you have mentioned in the presentation sir what is the status in terms of when do they go into production sir that 1,250 crore CAPEX that you have mentioned?
- Y. N. Patel:** Commercial production will at least take 36 months.
- Sagar Shroff:** How much sir?
- Y. N. Patel:** 36 months.
- Sagar Shroff:** From zero date?
- Y. N. Patel:** From zero date.
- Sagar Shroff:** So, has it started sir?
- Y. N. Patel:** Right now, we have floated tenders for both these projects and closing date is around November then we will be evaluating probably in next year first quarter we will be having zero debt if everything goes smooth.
- Sagar Shroff:** So, March 26 is expected to be completed?
- Y. N. Patel:** Yes right.
- Sagar Shroff:** What was the trend in the prices in July and August in aniline and formic acid, are they better vis-a-vis Q1?
- Manish Upadhyay:** Actually, price is downtrend at the moment, but we are keeping a steady price because we have some alternate products available to get a better profit. So, we are selling major cost more in other products in Aniline case and formic acid is almost it has already expanded expansion is



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already commissioned in month of June. So, we already started selling more quantity of formic acid in market and market it was going down, but now it is almost steady.

Sagar Shroff: So, since you have fungibility of capacities I mean you can keep on switching in alternating between various products that is what we are trying to say?

Manish Upadhyay: Yes, India demand is good so we are very easily to **(Inaudible)** 27:46.

D. V. Parikh: I request our Company Secretary for the closing comments. Thank you

A. C. Shah: Thank you one and all for making this investor concall meet a grand success. On behalf of the GNFC Management I extend sincere thanks to all the present and prospective investors for reposing their confidence in the company and we hope it will continue to make further investments with proper decision making with the information made available. I also extend thanks to Anurag Services LLP for arranging this concall meet for the company and my colleagues sharing the dais today to respond to all the points raised by the investors. Thanks a lot. We declare this concall meet as closed. Thank you very much.